

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled,

SECTION 1. SHORT TITLE.

This Act may be cited as the 'Energy Efficiency Investment Act of 2005'.

SEC. 2. CREDIT FOR CERTAIN ENERGY EFFICIENT PROPERTY IN RESIDENCES AND BUSINESSES.

(a) In General- Subpart B of part IV of subchapter A of chapter 1 of the Internal Revenue Code of 1986 is amended by inserting after section 30A the following new section:

'SEC. 30B. CERTAIN ENERGY EFFICIENT PROPERTY IN RESIDENCES AND BUSINESSES.

'(a) Allowance of Credit- There shall be allowed as a credit against the tax imposed by this chapter for the taxable year an amount equal to 25 percent of the amount paid or incurred by the taxpayer for qualified energy property placed in service or installed by the taxpayer during such taxable year.

'(b) Qualified Energy Property- For purposes of this section, the term 'qualified energy property' means any property--

'(1) which is--

'(A) an energy efficient building envelope component which is Energy Star qualified, and

'(B) any energy efficient heating or cooling equipment (including boilers) which is Energy Star qualified,

'(2) which, in the case of an individual, is installed in or on an existing residence--

the United States, and (A) located in

(B) owned and used by the taxpayer as the taxpayer's principal residence at the time the property is placed in service or installed,

(3) the original use of which commences with the taxpayer, and

(4) which has a useful life of at least 5 years.

(c) Other Definitions- For purposes of this section--

(1) BUILDING ENVELOPE COMPONENT- The term 'building envelope component' shall have the same meaning as set forth in section 434.201 of title 10 of the Code of Federal Regulations.

(2) PRINCIPAL RESIDENCE- The term 'principal residence' shall have the same meaning as when used in section 121.

(3) ENERGY STAR QUALIFIED- The term 'Energy Star qualified' means property which--

`(A) meets the guidelines, specifications, and performance levels of the Energy Star program jointly managed by the Environmental Protection Agency and the Department of Energy, including guidelines, specifications, and performance levels for the climate region in which a residence is located, and

`(B) displays the Energy Star label at the time the property is placed in service or installed.

`(d) Limitation Based on Amount of Tax-

`(1) IN GENERAL- The credit allowed under subsection (a) for any taxable year shall not exceed the excess of--

`(A) the sum of the regular tax liability (as defined in section 26(b)) plus the tax imposed by section 55, over

`(B) the sum of the credits allowable under this part (other than under this section and subpart C thereof, relating to refundable credits) and section 1397E.

“(2)

CARRYOVER OF UNUSED CREDIT- If the credit allowable under subsection (a) exceeds the limitation imposed by paragraph (1) for such taxable year, such excess shall be carried to the succeeding taxable year and added to the credit allowable under subsection (a) for such taxable year.

“(e) Special Rules- For purposes

of this section:

“(1) TENANT-STOCKHOLDER IN COOPERATIVE HOUSING CORPORATION- In the case of an individual who is a tenant-stockholder (as defined in section 216(b)(2)) in a cooperative housing corporation (as defined in section 216(b)(1)), such individual shall be treated as having paid his tenant-stockholder's proportionate share (as defined in section 216(b)(3)) of any expenditures paid or incurred for qualified energy property by such corporation, and such credit shall be allocated appropriately to such individual.

“(2) CONDOMINIUMS-

“(A) IN GENERAL- In the case of an individual who is a member of a condominium management association with respect to a condominium which he owns, such individual shall be treated as having paid his proportionate share of expenditures paid or incurred for qualified energy property by such association, and such credit shall be allocated appropriately to such individual.

“(B) CONDOMINIUM MANAGEMENT ASSOCIATION- For purposes of this paragraph, the term

'condominium management association' means an organization which meets the requirements of section 528(c)(2) with respect to a condominium project of which substantially all of the units are used by individuals as residences.

'(3) EXPENDITURES FOR LABOR INCLUDED- For purposes of this section, the amount paid or incurred by the taxpayer for qualified energy property shall also include expenditures for labor costs properly allocable to the onsite preparation, assembly, and installation of such property.

'(4) ALLOCATION TO NONBUSINESS USE IN CERTAIN CASES- In the case of an individual, if less than 80 percent of the use of qualified energy property placed in service or installed is for nonbusiness purposes, only that portion of the expenditure paid or incurred for such property which is properly allocable to use for nonbusiness purposes shall be eligible for the credit provided by this section.

'(f) Basis

Adjustment- For purposes of this subtitle, if a credit is allowed under this section for any expenditure with respect to a residence or other property, the basis of such residence or other property shall be reduced by the amount of the credit so allowed.

'(g)

Applicability- Subsection (a) shall apply to qualified energy property placed in service or installed after December 31, 2004.'

(b)

Conforming Amendment- Subsection (a) of section 1016 of such Code (relating to general rule for adjustments to basis) is amended by striking 'and' at the end of paragraph (30), by striking the period at the end of paragraph (31) and inserting ', and', and by adding at the end the following new paragraph:

'(32) in the case of a residence or other property with respect to which a credit was allowed under section 30B, to the extent provided in section 30B(f).'

(c)

Clerical Amendment- The table of sections for subpart B of part IV of subchapter A of chapter 1 of such Code is amended by inserting after the item relating to section 30A the following new item:

`Sec. 30B. Certain energy efficient property in residences and businesses.'.

(d) Effective Date- The amendments made by this section shall apply to taxable years ending after December 31, 2004.

